

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-03 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-03 INR-11 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 AGR-20 TAR-02 L-03 H-03 DODE-00 PA-04 USIA-15

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E.O. 11652: N/A

TAGS: ETRD, HO

SUBJECT: INVENTORY OF HONDURAS TRADE PROBLEMS

REF: STATE 167525

1. EMBASSY OFFERS FOLLOWING COMMENTS ON SUMMARY PRESENTED
REFTEL.

2. COMMENT CONCERNING MEAT QUOTAS. NO HONDURAS EXPORT
PACKERS ARE PRESENTLY OPERATING FOR SHIPMENT TO U.S.
MARKETS. SOME PACKERS MAY RESUME PRODUCTION IN MID-AUGUST
AFTER 2-4 MONTH LAYOFF OF EXPORT PRODUCTION.

3. SUGAR COMMENT- HONDURAS HAS EXPORTED 5,000 TONS TO
U.S. IN 1974 AND IS SEEKING USG AUTHORITY FOR ADDITIONAL
2,500 TONS.

4. BANANAS - SUGGEST ADDITIONAL SENTENCES. "THE PRESENT
HONDURAN ATTITUDE IS NOT TO SEEK INDEPENDENT SOLUTION IN NEGOTIATIONS

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WITH UNITED FRUIT AND STANDARD FRUIT. ACCORDING TO MINISTER BENNATON,

HONDURAS IS AWAITING NEGOTIATION DEVELOPMENTS IN COSTA RICA AND PERHAPS PANAMA. WE BELIEVE ALSO THAT MULTILATERAL DISCUSSIONS IN THE BANANA EXPORTING COUNTRY ORGANIZATION (UPEB) CONTEXT WEIGH HEAVILY IN THE HONDURAN APPROACH TO SOLUTION."

5. PRINCIPAL HONDURAN TRADE PROBLEMS WITH OTHER LATIN AMERICAN COUNTRIES - EMBASSY SUGGESTS THE FOLLOWING AS REPLACEMENT FOR REFTEL PARAGRAPH"

"THE 1969 CONFLICT WITH ELSALVADOR AND SUBSEQUENT OF CLOSING OF THAT BORDER HAVE RESTRICTED BILATERAL TRADE BETWEEN THE TWO COUNTRIES. BILATERAL AGREEMENTS WITH THE OTHER THREE COMMON MARKET MEMBERS AND PANAMA HAVE COVERED THE PRODUCTS OF PRIMARY INTEREST IN BILATERAL TRADE FOR HONDURAS AND THESE NEIGHBORS. HONDURAN WITHDRAWAL FROM THE FREE TRADE ASPECTS OF THE CENTRAL AMERICAN COMMON MARKET AT THE END OF 1970 FOLLOWED THE ARMED CONFLICT BY MORE THAN A YEAR. THE CAUSE OF THIS WITHDRAWAL WAS PRIMARILY ECONOMIC AND RESULTED FROM PAYMENTS DIFFICULTIES AND FUNCTIONAL DISADVANTAGES OF THE COMMON MARKET TO HONDURAS. A POLITICAL SETTLEMENT OF THE FRONTIER PROBLEM WOULD OPEN THE WAY TO BILATERAL TRADE WITH EL SALVADOR TO THE MUTUAL ADVANTAGE OF BOTH COUNTRIES. REESTABLISHMENT OF HONDURAN PARTICIPATION IN THE CENTRAL AMERICAN COMMON MARKET WILL REQUIRE SIGNIFICANT STRUCTURAL CHANGES IN THE ORGANIZATION. THESE CHANGES ARE NOW BEING MAPPED OUT IN A CENTRAL AMERICAN COMMON MARKET HIGH LEVEL COMMITTEE DEDICATED TO THIS TASK."

6. ADDITIONAL CONSIDERATIONS- WORLD MARKET PRICES FOR PRODUCTS IMPORTANT TO THE HONDURAN ECONOMY HAVE GENERALLY WORSENERED IN THE PAST YEAR. THIS INCLUDES WOOD, MEAT AND COFFEE. HONDURAN EXPORTS OF 5,000 TONS OF SUGAR THUS FOR IN 1974 REPRESENT A PLUS OVER THE IMPORTATION OF 10,000 TONS IN 1973. HOWEVER, THE EFFECTS OF PETROLEUM PRICE INCREASES AND INFLATION OF WORLD MARKET PRICES FOR IMPORTED MACHINERY, INTERMEDIATE GOODS AND CONSUMER GOODS HAVE PLACED HONDURAS

IN A PRECARIOUS BALANCE OF PAYMENTS POSITION. RESTRICTION OF CREDITS DESTINED FOR IMPORTS WAS ANNOUNCED BY THE CENTRAL LIMITED OFFICIAL USE

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BANK AUGUST 1. FURTHER RESTRICTIONS ARE TO BE EXPECTED. SANCHEZ

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